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Prospects for Foreign Trade in

TOBACCO

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Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE
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PROSPECTS FOR FOREIGN TRADE IN TOBACCO

SUMMARY

Exports of tobacco from Free World countries set a record in 1962. At 1.69 billion pounds, they were slightly larger than those for 1961. Preliminary data indicate that 1963 exports were somewhat below those of the two previous years. Consumption of cigarettes in most countries continued to increase in 1963, although at a slower pace than in recent years. With a record 1963 world production of tobacco available for export in 1964, there will be ample supplies to meet any import demand. In 1963, blue mold damage to tobacco was sharply reduced, and had little impact on the world harvest, except in a few countries in the Near and Middle East.

WORLD PRODUCTION

World production of tobacco set a record in 1963. At 9.2 billion pounds, the crop was about 6 percent larger than the revised figure of 8.6 billion for 1962. Average production for 1955-59 was 8.5 billion pounds.

Flue-cured production in 1963, at 3.3 billion pounds was a little above that for 1962. Smaller 1963 harvests of flue-cured tobacco in the United States, and the Rhodesias-Nyasaland, were offset by increases in Brazil, India, Italy, and Bulgaria. The U.S. crop of flue-cured in 1963, at 1.36 billion pounds, was 48 million pounds smaller than the 1962 harvest because of a cut in acreage allotments. The crop of flue-cured in the Federation of Rhodesia and Nyasaland, at 199 million pounds, was 16 percent below the previous high of 237 million in 1961, because of unfavorable weather conditions. On the other hand, the Canadian harvest of flue-cured was equal to the 188 million pounds produced in 1962, despite a sharp cutback in acreage. There, generally favorable weather conditions in 1963 boosted yields sharply above those for 1962. India's flue-cured crop was a little larger than that of 1962, and production in Italy, Brazil, and Bulgaria was larger than in 1962. Japan's crop was about 190 million pounds each year.

Present indications are that the 1963-64 crop of flue-cured in the Federation of Rhodesia and Nyasaland may, with normal yields, total a minimum of 280 million pounds -- far above the previous record.

World production of oriental tobacco totaled about 1.3 billion pounds in 1963. This was a record harvest -- one-fifth larger than in 1962. If blue mold had not reduced the harvest in a number of Near and Middle Eastern countries, the final outturn might have been at least a third larger than the 1962 harvest. All oriental tobacco-producing countries, except Bulgaria, Cyprus, Israel, and Syria harvested larger crops in 1963 than in 1962. Significant increases were reported in Greece, Turkey, Yugoslavia, and the USSR. A near-record harvest was recorded in Yugoslavia, and Greece's crop was a record 257 million pounds -- up 25 percent from 1962. Turkey had its third largest crop of oriental leaf in 1963 -- 276 million pounds -- even though drought conditions,

and to a lesser extent blue mold, offset record plantings. Despite similar record plantings in Bulgaria, dry weather reduced yields and the final out-turn was not quite as large as in the previous year. Marketing of the record 1963 harvest of oriental tobacco is likely to encounter problems similar to those faced in the late 1950's -- a period when supplies considerably exceeded demand. Further problems in disposal of oriental leaf may occur if present plans to increase production sharply during the next few years are retained.

Burley tobacco production totaled a record 885 million pounds, 8 percent above 1962, and 48 percent higher than the 1955-59 average. Larger harvests in 1963 were recorded in practically all countries. Currently, about 40 countries are producing this type tobacco--about twice as many as a decade ago. Virtually all countries had record burley crops in 1963. Exceptions were Italy and West Germany. Increases in production have been undertaken mainly for export purposes. In 1963, larger crops of burley were grown in the United States, Mexico, West Germany, Greece, Italy, the Rhodesias-Nyasaland, and Japan. The interest shown in burley tobacco production reflects the growing worldwide demand for this type as an ingredient in the increasingly popular American-type blended cigarette. Although burley tobaccos produced abroad are considered inferior to the U.S. product, generally lower prices make them attractive to those importers whose prime consideration is price and not quality.

World production of all other kinds of tobacco in 1963, except for other light air-cured, was larger than in 1962. Crops of dark air-cured tobacco (including cigar leaf) totaled 1,885 million pounds in 1963, compared with production of 1,713 million in 1962. Larger crops of dark air-cured in Brazil, Paraguay, Colombia, and the Dominican Republic partially reflect anticipation of an increased market in the United States for cigar filler tobaccos. This stems from the U.S. embargo on Cuban tobacco placed in effect in February 1962.

Larger crops of tobacco were recorded in most European countries in 1963, after several years of rather extensive damage from blue mold, a fungus disease. For 1963, blue mold damage was relatively insignificant, although there were reports of scattered outbreaks in most of the countries. In 1963, the countries hit hardest by blue mold were those in the Near and Middle East--Syria, Lebanon, Israel, Cyprus, Iraq, and Iran. The crop in Morocco also was reduced by this disease.

WORLD CONSUMPTION

In recent years there has been a slowup in the annual rate of gain in world cigarette output. In 1962, world cigarette output totaled 2,388 billion pieces -- up only 2.4 percent from the 2,332 billion produced in 1961. The percentage rise from the preceding year averaged 5 percent annually during the 1956-61 period. Early indications are that the percentage gain in world cigarette output in 1963 was less than that recorded for the previous year.

In most countries, controversy concerning cigarette smoking and its relation to health appears to have had no appreciable long-term effect on cigarette sales. In the United Kingdom, where cigarette sales dropped rather

sharply immediately following the release of a report on smoking and health prepared by the Royal College of Physicians in early 1962, sales appear to have recovered. A report on smoking and health is being prepared for the Surgeon General of the United States Public Health Service. This report is scheduled for release before the end of 1963. It is impossible to foresee what effect it will have on cigarette sales in the United States until the contents of the report are known and can be analyzed.

Larger cigarette consumption throughout the world in recent years has offset drops in most other forms of smoking -- particularly cigars, chewing tobacco, and snuff. Worldwide consumption of smoking tobaccos appears to have been fairly well stabilized, with a decrease in one country offset by a gain in another because of the wide differential in retail prices for factory-made cigarettes and mixtures for "roll-your-own" cigarettes.

A significant trend in many countries toward filter tipped cigarettes is reducing the quantity of leaf tobacco required to manufacture a given number of cigarettes. This trend, along with growing dependence upon domestic supplies, rather than on imports of leaf from abroad, is certain to have a noticeable effect, within a fairly brief time, on world demand for imported leaf. Coupled with these factors is the ability of cigarette manufacturers to make larger numbers of regular cigarettes from a given quantity of leaf tobacco, by making use of a larger portion of the leaf and discarding less.

Among the major cigarette producers, the following percentages of filter tipped cigarettes were recorded in 1962, with 1955 percentages in parentheses: United States, 54.6 (18.7); West Germany, 75.9 (10.2); Canada, 59.0 (6.0); Italy, 27.8 (0.2); France, 16.4 (0.8); United Kingdom, 26.0 (1.7); Switzerland, 78.7 (56.4); and Belgium, 38.0 (16.0).

INTERNATIONAL TRADE

Free World exports of leaf tobacco in 1962, at 1.69 billion pounds, set a new record -- just a little above those for 1961. Indications are that exports were somewhat smaller in 1963 than those in the two previous years because of reduced quantities available for export in several of the major producing countries. Continued strong demand in 1962 reflected larger world cigarette consumption, shortages of domestically produced leaf in some European countries, and heavier purchases by Soviet Bloc countries from Free World sources.

The U.S. share in Free World exports in 1962 was 28 percent, compared with 30 percent in 1961, and 35 percent in 1955-59. It is likely that the U.S. position in world trade improved somewhat in 1963, because the 1963 crop of flue-cured tobacco contained a higher proportion of the qualities desired by foreign buyers than in 1962.

U.S. exports in 1962, at 469 million pounds, were 6 percent less than in 1961. Indications are that in 1963 about 500 million pounds were exported from the United States, offsetting to some extent expected drops in exports from several other major exporters.

The decline in 1962 exports from the United States occurred mainly as the result of smaller flue-cured tobacco shipments. Fire-cured exports were also off substantially from 1961. But exports of burley exceeded those of any year except 1947.

The United Kingdom remained the largest market for U.S. leaf tobacco in 1962, although its purchases, at 97 million pounds, were 36 percent below those of 1961. Other leading markets in 1962 were, in order of importance: West Germany, the Netherlands, Japan, Australia, Ireland, Italy, and Belgium-Luxembourg.

As in 1961, shipments of tobacco in 1962 from several major exporters were at record or near-record levels. Tobacco exports from the Rhodesias-Nyasaland were at a record 216 million pounds in 1962, compared with 210 million in 1961. A small drop in the Federation's exports to the United Kingdom was more than offset by larger shipments to countries in continental Europe. Principal markets for Rhodesian leaf in 1962, aside from the United Kingdom, included West Germany, the Netherlands, Italy, Belgium-Luxembourg, Hong Kong, and Japan. All of these countries are also important purchasers of U.S. leaf.

The Rhodesian Federation ranks next to the United States as a tobacco exporting country. But in contrast to the United States' declining position in world trade, the Federation has been steadily increasing its share of world trade in recent years. In 1950-54, the Federation had 9 percent of total Free World exports. Its share rose to 10 percent in 1955-59, and to 13 percent in 1962.

The tobacco industry in the Federation is stepping up its efforts to export more and more tobacco. Although it is likely that the Federation's exports dropped a little in 1963, because of the short 1963 flue-cured crop, 1964 exports may set another record.

India's exports of tobacco in 1962, at 143 million pounds, established a record -- 34 percent larger than the 106 million shipped out in 1961. Most Indian tobacco exports consist of flue-cured tobacco. India ranks next to the United States and the Rhodesian Federation as a flue-cured exporting country. Larger shipments of flue-cured in 1962 -- particularly to Soviet Bloc countries -- accounted for the big increase.

Canada's exports, mostly flue-cured, also set a record in 1962 -- a little above the previous high of 1955. Trade missions from Canada visited many European countries in late 1963, seeking new or expanded markets for tobacco. Late in 1963, Canada announced a deficiency payment program, for the 1963 flue-cured crop, which did not set minimum grade prices. This program apparently is designed to widen the spread between grade prices, and may result in larger exports in 1964. This new system eliminates the problem of the past two seasons associated with "no-sale" tobacco, and its disposal.

Flue-cured continued in 1962 as the major kind of tobacco moving in world trade, accounting for 46 percent of the total, compared with 43 percent in 1961. The U.S. share of Free World flue-cured exports in 1962, however,

was only 48 percent, compared with 55 percent in 1961, and 60 percent in 1955-59.

Turkey's exports of oriental tobacco were at record levels -- 200 million pounds -- in 1962, but fell considerably in 1963. Greece, the second-largest exporter of oriental leaf in the Free World, exported considerably less tobacco in 1962 than in 1961 -- because of the short crops in 1960 and 1961. But Greece's record 1963 crop will permit increased export movement of tobacco in 1964.

Oriental tobaccos rank next to flue-cured in importance in Free World tobacco trade. In 1962, oriental leaf represented about 20 percent of total Free World exports. A drop in exports occurred in 1963, because of smaller availabilities in Turkey. In view of the world-record crop of oriental grown in 1963, it is likely that exports of this kind of leaf in 1964 will be larger than in 1963.

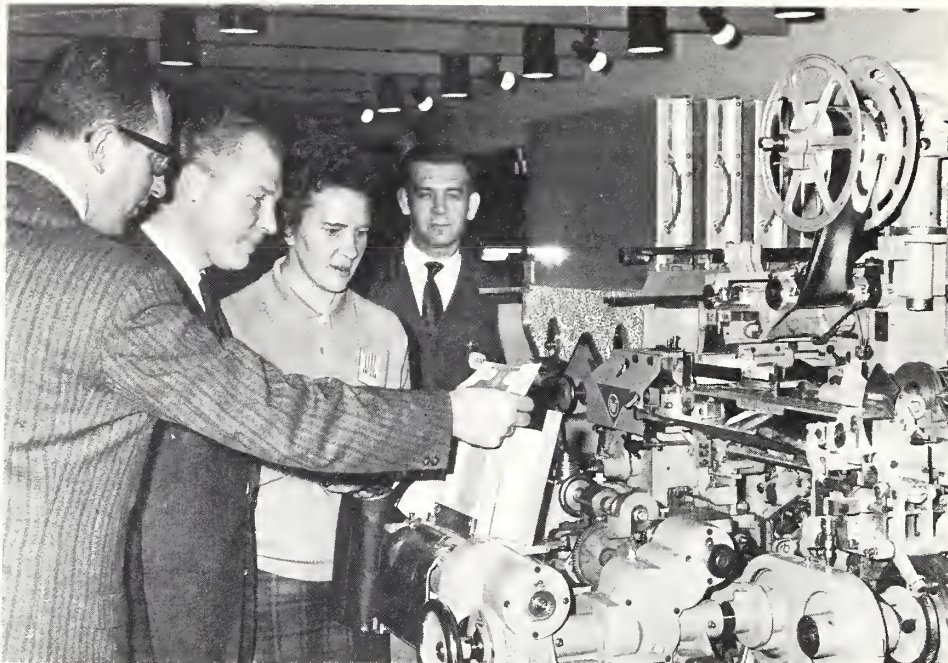
Dark tobacco exports were at high levels in both 1961 and 1962 -- mainly because of smaller crops in Western Europe, necessitating larger imports. In 1962, there were record, or extremely large, exports of dark tobacco from such major producing countries as the Philippines, Brazil, Colombia, Paraguay, and the Dominican Republic. It is not likely that total dark tobacco exports in 1963 reached the levels of the two previous years.

Burley tobacco continues to grow in importance in world trade. The United States remains by far the most important burley exporter, with nearly 60 percent of total Free World export trade for this kind of leaf in 1962. But other producers -- including Mexico, Greece, the Rhodesian Federation, and Japan, among others, are expanding burley production for export. Prospects for increased world trade for burley are enhanced by the trend in many countries towards use of American-type blended cigarettes in the manufacture of which burley is an essential ingredient.

Developments with respect to tariffs in the European Common Market will continue to have an important impact on world tobacco export trade. For the United States, the outcome of tariff negotiations currently scheduled to take place in 1964, will be of great importance to the future level of its tobacco exports.

MARKET DEVELOPMENT ACTIVITIES

In 1964, a tobacco promotion project in the Benelux countries may be initiated to upgrade the quality of their cigarettes, and this program should increase sales of U.S. leaf. The U.S. tobacco cooperators have met with officials of the foreign manufacturing organizations on many occasions in 1963, to determine which brands will be promoted and to establish formulas pertaining to the percentage of U.S. leaf to be used in individual brands. Because of the rising economy in the Benelux countries, there is a good demand there for high-quality cigarettes containing U.S. tobacco. It is expected that by 1967 there will be free movement of cigarettes within the six EEC countries. Therefore, if the Benelux tobacco manufacturers have been encouraged through a joint advertising and promotion program with FAS and



The automatic cigarette machine is center of attention at the 1963 U.S. Food and Agriculture Exhibition, Amsterdam. Mrs. Dekkers, of Ermelo, Netherlands, 100,000th visitor at the Exhibition, views machine with her husband (center).

the U.S. tobacco cooperators to improve the quality of their products, sales of these should increase with the member countries at that time.

The proposed program is expected to include the promotion of "shag" tobacco which is popular with the consumers of the Benelux countries, who like to "roll-their-own" cigarettes. This will be the first advertising project undertaken to promote tobacco products other than cigarettes.

The already existing highly successful promotion programs will be maintained in Japan, Thailand, and Austria at approximately present levels. Japan's cigarette production is increasing, and the country is purchasing about 24 million pounds of U.S. tobacco annually, with 1964 imports from the United States expected to exceed this amount. Thailand is using about 10 million pounds of U.S. leaf in yearly production and the United States supplies about 98 percent of total import requirements of tobacco. "Smart Export", an American blend containing a high percentage of U.S. tobacco, has been effectively promoted in Austria, where sales have increased 50 percent in the first months of the advertising program.

The tobacco exhibit was one of the most popular shows at the Amsterdam Fair in November 1963, and it is expected that there will be increased U.S. activity in foreign trade fairs in 1964. Local tobacco manufacturers had a complete cigarette making and packaging operation at Amsterdam, and delivered the prepared tobacco to the exhibit and returned the manufactured product to their plant. High-speed equipment furnished by another American firm made from 500,000 to 700,000 cigarettes per day. This operation was

TOBACCO: Cumulative U.S. shipments under Title I, and Title IV of Public Law 480 by kind and destination, since July 1, 1954, through June 30, 1963

(Declared weight)

Destination	Flue-cured		Burley		Maryland		Fire-cured ¹		Dark air-cured ²		Cigar leaf (all)		Total ³	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Title I	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars
Austria.....	4,686	2,858	1,678	900	--	--	614	533	162	128	285	380	7,425	4,799
Brazil.....	--	--	--	--	--	--	--	--	--	--	312	709	312	709
Burma.....	3,758	2,699	39	31	--	--	--	--	--	--	--	--	3,797	2,730
Chile.....	1,077	1,209	571	726	--	--	1	1	--	--	--	--	1,649	1,936
China, Rep. of....	10,725	9,348	269	230	--	--	--	--	--	--	--	--	10,994	9,578
Colombia ⁴	1,082	923	667	622	54	45	--	--	--	--	--	--	1,803	1,590
Congo (Leopoldville)	793	472	164	125	--	--	917	514	158	76	--	--	2,032	1,187
Ecuador.....	1,381	1,193	692	641	32	31	--	--	--	--	--	--	2,105	1,865
Finland.....	20,369	10,914	4,420	2,828	--	--	635	217	832	402	--	--	26,256	14,361
France.....	6,484	5,447	1,072	910	--	--	12,077	6,190	--	--	--	--	19,633	12,547
Iceland.....	1,692	1,512	1,085	1,079	82	69	382	126	--	--	--	--	3,241	2,786
India.....	10,862	10,992	60	55	--	--	33	25	--	--	16	41	10,971	11,113
Indonesia.....	29,390	19,061	--	--	47	17	1,690	1,086	165	81	--	--	31,292	20,245
Israel.....	1,587	1,109	36	26	1	1	--	--	--	--	6	6	1,630	1,142
Italy.....	13,925	10,617	8,171	6,863	--	--	3,751	2,897	--	--	--	--	25,847	20,377
Japan.....	8,055	6,665	1,736	1,156	--	--	--	--	--	--	--	--	9,791	7,821
Korea, South.....	8,236	6,507	249	223	--	--	--	--	--	--	--	--	8,485	6,730
Morocco.....	109	87	--	--	279	125	72	31	--	--	--	--	460	243
Pakistan.....	13,355	12,151	--	--	--	--	--	--	--	--	--	--	13,355	12,151
Poland.....	1,384	1,066	509	433	--	--	--	--	--	--	--	--	1,893	1,499
Spain ⁴	17,044	13,677	9,653	8,403	3,353	1,533	967	258	15	4	1,299	883	32,331	24,758
Syria.....	73	65	150	130	--	--	--	--	--	--	--	--	223	195
Thailand.....	5,439	4,100	--	--	--	--	--	--	--	--	--	--	5,439	4,100
UAR (Egypt).....	33,200	20,840	7,969	6,871	310	170	1,553	476	--	--	1	3	43,033	28,360
United Kingdom....	52,906	38,000	--	--	--	--	--	--	--	--	--	--	52,906	38,000
Uruguay.....	6,393	6,209	1,396	1,310	14	11	50	39	--	--	9	29	7,862	7,598
Vietnam, South....	19,382	13,501	882	793	1,193	508	1,112	454	28	13	1,893	803	24,490	16,072
Total.....	273,387	201,222	41,468	34,355	5,365	2,510	23,854	12,847	1,360	704	3,821	2,854	349,255	254,492
Title IV														
Chile.....	677	868	458	632	--	--	--	--	--	--	--	--	1,135	1,500
Ecuador ⁴	43	40	26	25	2	2	--	--	--	--	--	--	71	67
Total.....	720	908	484	657	2	2	--	--	--	--	--	--	1,206	1,567

¹ Includes dark fired Kentucky and Tennessee and Virginia fire-cured.

² Includes Green River, One Sucker, Virginia sun-cured and Perique.

³ Preliminary; subject to revision.

⁴ Includes leaf content of tobacco products authorized for shipment under Public Law 480. Breakdown by type of leaf, quantity and value, was estimated from Totals financed under individual purchase authorizations.

very successful in advertising the "American blend" cigarette produced at the show and the U.S. tobacco contained in the product. Sample cigarettes were distributed to fair visitors.

The U.S. tobacco cooperators, in cooperation with FAS, have contracted for a series of 10-minute market development movies for promoting U.S. leaf tobacco in some of the world's major markets. The photograph schedule has been completed, and the films will be ready for distribution in early 1964. The plan is to include the same basic seven minutes of U.S. photography in each file with the remaining three minutes to be shot in each of the following foreign countries or market areas: United Kingdom, The Netherlands, France and/or Belgium, West Germany and/or Austria, Scandinavian countries, and Egypt (United Arab Republic). The tobacco films will have sufficient entertainment appeal to permit them to be coupled with the producers' feature films, thus insuring maximum theater distribution in all target areas.

U.S. market development projects are being considered for Taiwan, Iraq, and Egypt in 1964. Taiwan has a rising economy, and an effective promotion program there advertising American blend cigarettes, which contain a high percentage of U.S. leaf tobacco, should increase our exports to that country. In 1963, Iraq purchased a sizable quantity of tobacco for the first time under Title IV, P.L. 480 (longterm credit sales for dollars), and this should be a good Middle East market for the popular American-type cigarettes. When results are obtained from the consumer preference survey now being conducted in Egypt, it is possible that a market promotion project will be initiated there for advertisement of brands containing U.S. tobacco.

U.S. tobacco marketing specialists are expected to concentrate on markets in Africa and the Middle East in 1964 to develop new markets and will confer with government and trade officials in Western Europe and Asia to maintain or expand existing markets.

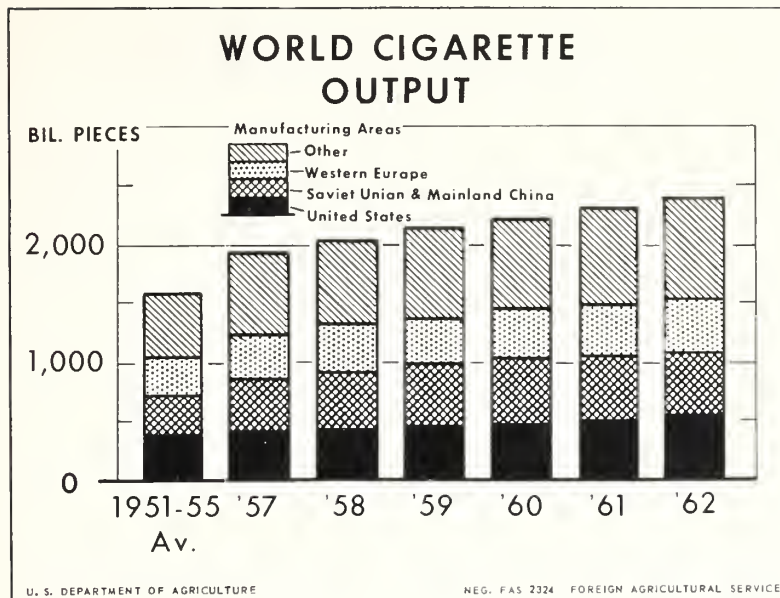
Most U.S. tobacco is exported through regular "dollar" sales. However, sales for "dollars" under Title IV, P.L. 480 (long-term credit) on a government-to-government basis, and to private trade under a new regulation enacted in 1963, are being encouraged. Foreign customers can also take advantage of the 18-months short-term credit CCC export program to purchase U.S. tobacco. Countries whose dollar resources are insufficient to purchase their requirements of U.S. leaf can secure tobacco through the Title I, Public Law 480, program of sales for local currencies.

Prospects are good for substantial sales of U.S. tobacco, also, under the Barter Program in 1964, through which CCC stocks of surplus tobacco are exchanged for strategic and nonstrategic materials, as well as under the Off-Shore Procurement Program for our overseas installations.

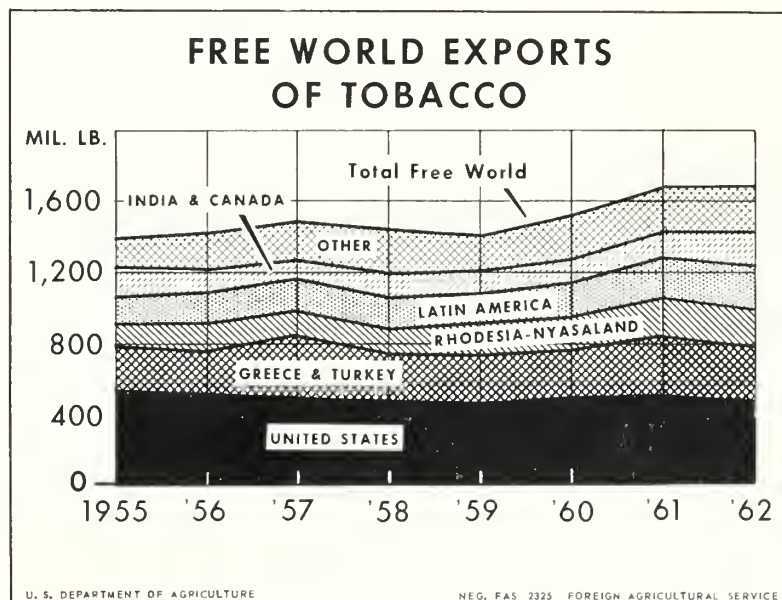
U. S. PROSPECTS IN EEC AND OTHER AREAS

There are many pertinent factors which could affect U.S. exports of tobacco to European Economic Community (EEC) countries in 1964. Some of them are:

1. The trend in total EEC usings of tobacco and any shifts in the types of tobaccos being used by manufacturers.
2. The relative size of stocks held by manufacturers at the beginning of the year and at the end.

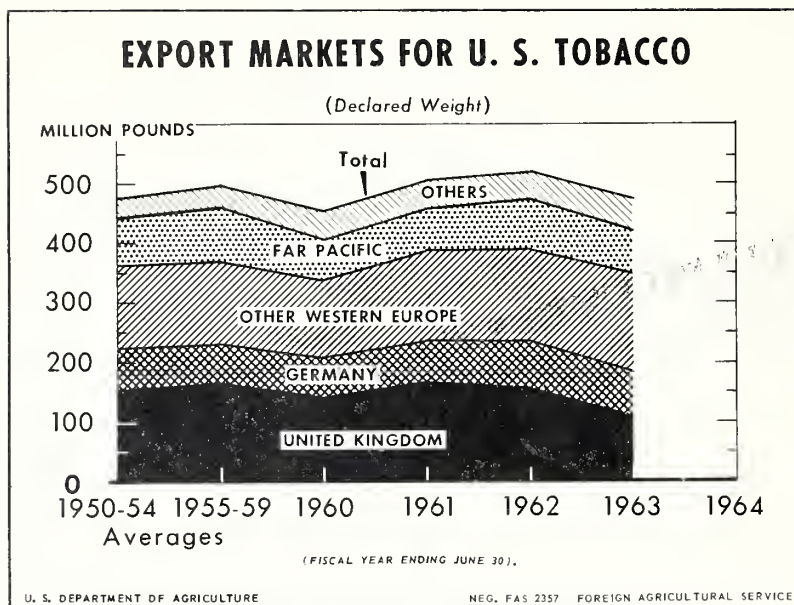


World output of cigarettes rose in 1962--to a record total of 2,388 billion pieces--and a further gain is indicated for 1963. The upward trend is expected to continue, despite recurring attempts to link smoking with adverse effects on health. Annual gains in world cigarette consumption, however, are not expected to equal those of recent years. This, together with other factors reducing the quantity of tobacco used per cigarette, will almost certainly tend to affect the level of leaf trade in future years. (See Appendix Table 1.)

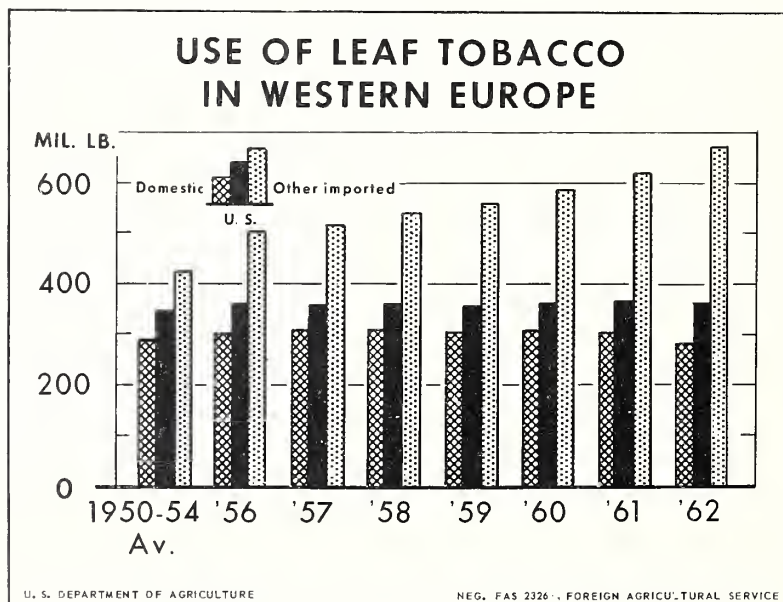


Free World unmanufactured tobacco exports, 1962, set a record of 1.69 billion pounds (a little above 1961). Indicated for 1963 are smaller volumes available for export by some major producers. The U.S. share has been dropping steadily, from 35 percent for 1955-59 to 30 percent for 1961, 28 percent in 1962. Exporting countries sharing in recent increases include: Rhodesias-Nyasaland, India, Greece, Turkey, Brazil, Colombia, Italy, Canada, Paraguay, Argentina, the Republic of South Africa, and Japan. (Appendix Table 2.)

Among export markets for U.S. tobacco, Western Europe leads, taking 74 percent of the total in fiscal 1963. Usually, the United Kingdom takes close to one-third of the total shipments; however, that year its purchases dropped to less than one-fourth of the total. West Germany is second largest outlet. Other important European markets include the Netherlands, Belgium-Luxembourg, Ireland, Denmark, Switzerland, Sweden, and Italy. Japan, Australia, and Thailand are major outlets in the Far Pacific. (Appendix Table 3.)

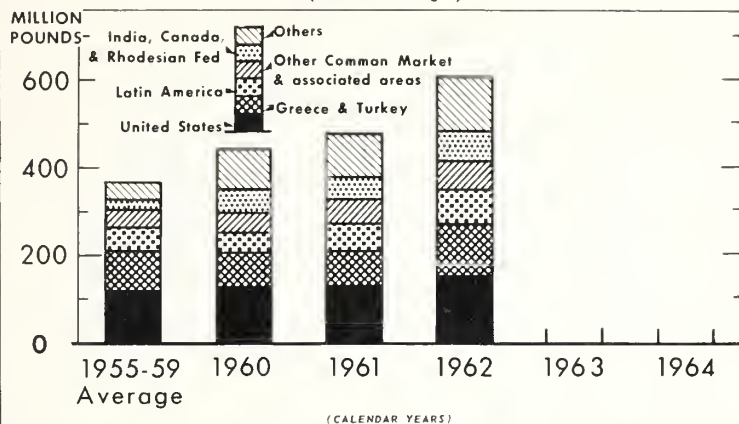


Western Europe is world's largest market--and also biggest foreign market for U.S. leaf. Tobacco factories in the 16 Western European countries are using more and more foreign leaf--but use of U.S. tobacco has been relatively stable for the past decade. These 16 countries increased their use of U.S. leaf only from 345 million pounds in 1950-54 to 365 million in 1962; total use of other foreign leaf, however, rose from 423 million in 1950-54 to 670 million in 1962--a gain of 247 million. (See Appendix Table 4.)



COMMON MARKET TOBACCO IMPORTS FROM MAJOR SUPPLIERS

(Declared Weight)



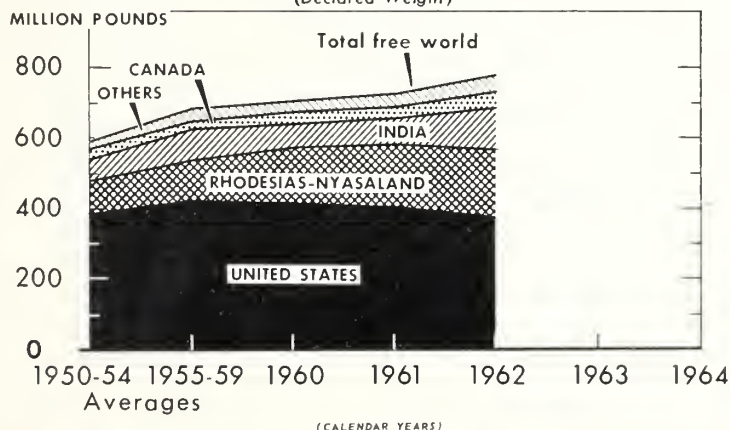
U. S. DEPARTMENT OF AGRICULTURE

NEG. FAS 2358 FOREIGN AGRICULTURAL SERVICE

In 1962, the six EEC countries recorded sharply increased tobacco imports, mainly because of Italy's small 1960 and 1961 crops and of West Germany's changed recording of imports. Imports from the United States, at 148 million pounds, were much higher than for recent years, but those from other countries rose even more, relatively, with the U.S. share 25 percent compared with 31 in 1955-59. A scheduled EEC tariff on tobacco, if not revised downward, will have greater impact on leaf imports from the United States than other producers. (Table 5.)

FLUE-CURED TOBACCO: ESTIMATED FREE WORLD EXPORTS

(Declared Weight)

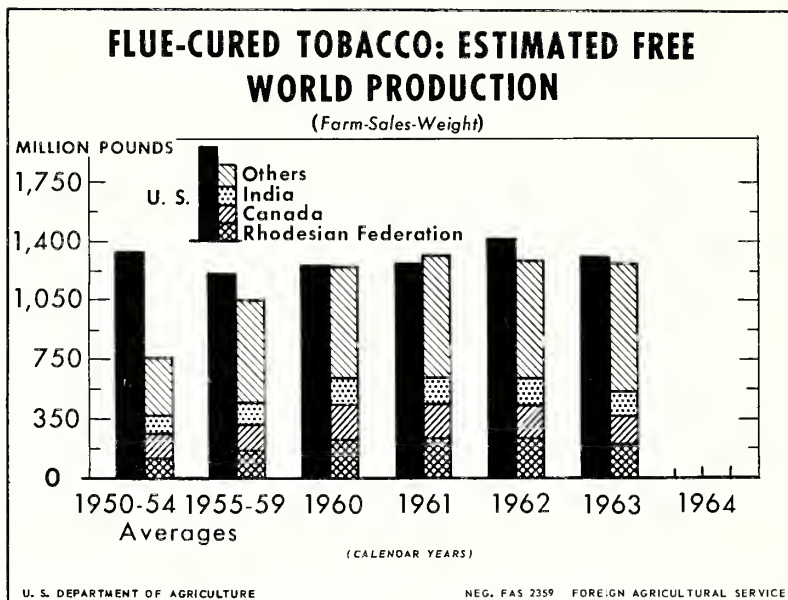


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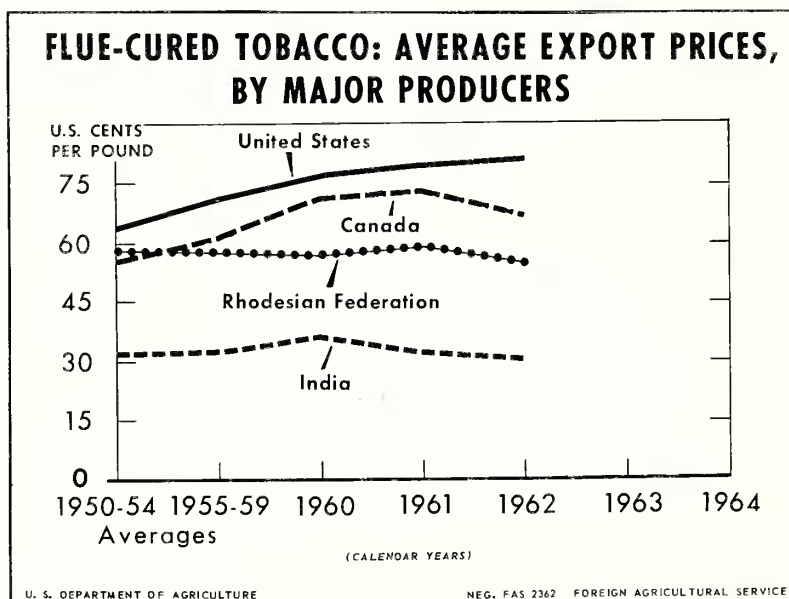
NEG. FAS 2356 FOREIGN AGRICULTURAL SERVICE

Flue-cured accounted for about 46 percent of total of Free World leaf exports, in 1962. Shipments totaled 776 million pounds compared with 727 million the year before and 590 million for the 1950-54 average. However, U.S. exports had fallen from a 1950-54 average of 391 million pounds, to 375 million by 1962. During the same period, Rhodesian exports more than doubled, from 91 million to 190 million, and sharp gains were made by India, Canada, and other less important flue-cured exporters. (See Appendix Table 6.)

Flue-cured production has been expanding rapidly in the Free World, in response to demand for light tobaccos for cigarette manufacture. However, there has been little change in U.S. output from a decade ago. Biggest increases in production have been recorded in the Rhodesias-Nyasaland, India, Canada, Brazil, South Korea, and Australia. The rises in flue-cured output abroad have been sufficient to reduce the U.S. share from about two-thirds of Free World production in 1950-54 to about 50 percent today. (Appendix Table 7.)

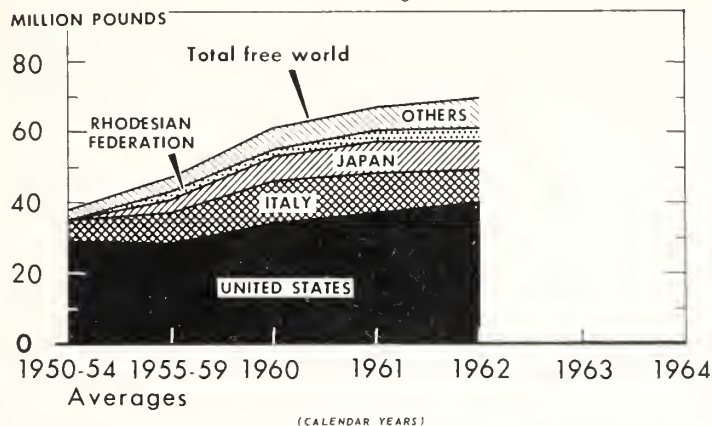


An increasing proportion of total U.S. flue-cured exports consists of superior grades. (This cannot be shown on the chart.) In general, the better U.S. grades are no higher priced than similar growths from competing countries. But U.S. prices for medium grades, and especially for lower ones, are above those for corresponding grades from competitors. In those importing countries where manufacturers emphasize price, not quality, this price differential between U.S. tobacco and other growths is a vital factor limiting U.S. trade. (See Appendix Table 8.)



BURLEY TOBACCO: ESTIMATED FREE WORLD EXPORTS

(Declared Weight)



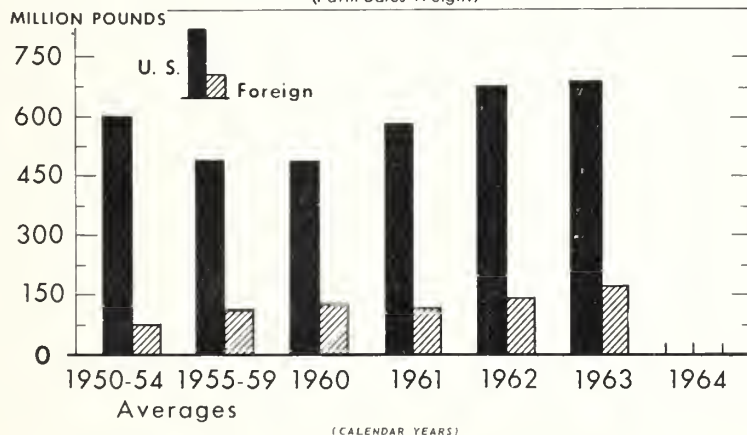
U. S. DEPARTMENT OF AGRICULTURE

NEG. FAS 2355 FOREIGN AGRICULTURAL SERVICE

Burley tobacco continues to grow in importance in world tobacco trade. In 1962, the United States accounted for about three-fifths of Free World burley export trade. However, other countries which produce burley--Mexico, the Rhodesian Federation, Japan, Greece--are expanding burley production for export. Prospects for larger world trade in burley tobacco are good because the trend in world output of blended cigarettes, which may contain burley, is steadily rising. (Appendix Table 9.)

BURLEY TOBACCO: ESTIMATED FREE WORLD PRODUCTION

(Farm-Sales-Weight)

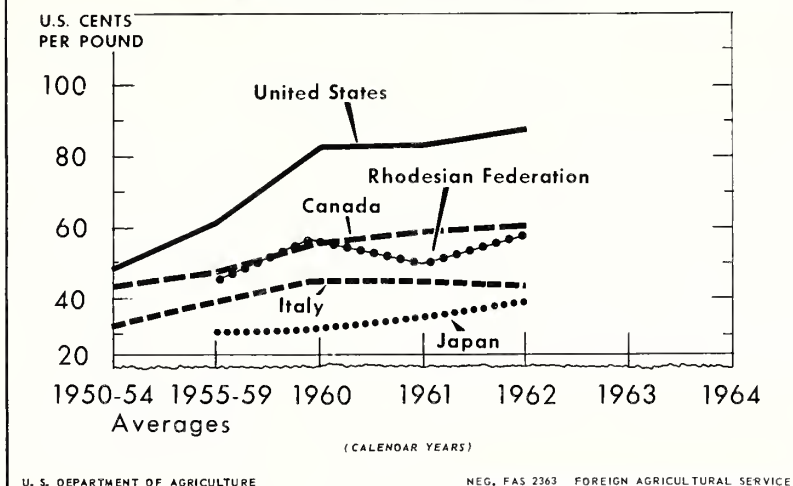


U. S. DEPARTMENT OF AGRICULTURE

NEG. FAS 2360 FOREIGN AGRICULTURAL SERVICE

Nearly all producing countries had record burley crops in 1963. In recent years, increases have gone into exports. In addition, about 40 countries are now producing burley, compared with half that many only a decade ago. The interest shown in burley production in such countries as Mexico, Japan, Italy, Greece, and the Rhodesias-Nyasaland, reflects the growing worldwide demand for burley for use as an ingredient in the increasingly popular American-type blended cigarette. (See Appendix Table 10.)

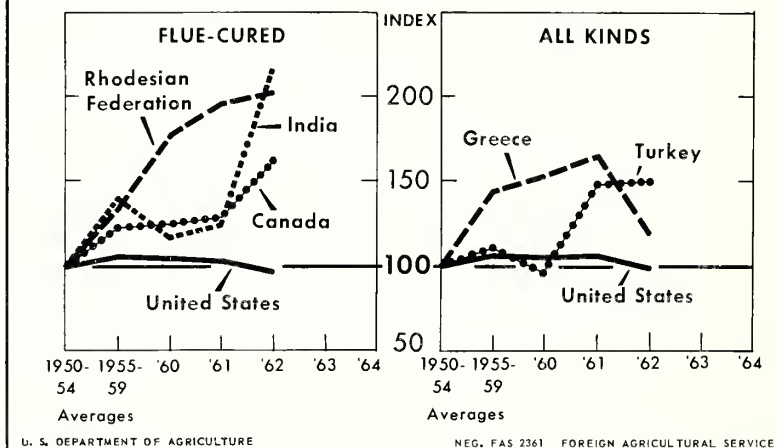
BURLEY TOBACCO: AVERAGE EXPORT PRICES, BY MAJOR PRODUCERS



Average export prices for burley tobacco shipped by principal exporting countries vary. Prices for U.S. burley reflect the quality advantage that has enabled U.S. growers to account for about three-fifths of all burley moving in world trade. Although average export price for the U.S. leaf was at a peak in 1962, prices for burley shipped from other major exporters--Italy, Japan, Canada, and the Rhodesias-Nyasaland--also were at record or near-record levels. (Appendix Table 11.)

TRENDS IN MAJOR COMPETITORS TOBACCO EXPORTS

(1950-54 = 100)



Some major U.S. competitors in the world leaf export market have claimed that U.S. shipments under P.L. 480 have adversely affected their shipments. They cite allegedly discriminatory financial arrangements. However, export trends since 1950-54 refute this claim. Actually, during the period since 1950-54, major competing exporters have increased their shipments while U.S. exports have been relatively stable. (See Appendix Table 12.)

3. The availability and price of substitute tobaccos, which may exert some effect. (Should manufacturers be caught in a cost-price squeeze, the price of substitute or competitive tobaccos would become a more important factor.)
4. Greek and Turkish tobaccos now moving into EEC countries at 50 percent of basic duties. (These tobaccos are expected to take a portion of what otherwise would have been an increase in use of U.S. tobaccos in EEC countries.)
5. Commencement of a Greek program of production of burley type tobacco for export.
6. EEC imports of substitute or competitive cigarette tobaccos, expected to increase at the expense of U.S. tobaccos, since the import duty on the lower priced tobaccos is now slightly less, and ultimately will be about 4 cents less, per pound, than the duty assessed on most U.S. leaf.
7. Bilateral agreements, including tobacco, made by some of the EEC member countries and Tobacco Monopoly operations in both France and Italy, expected to continue to affect adversely U.S. tobacco.
8. Tobacco production's being increased in countries or territories associated with the EEC. (Tobacco from these areas receives duty-free entry into the EEC countries. Increased imports by the EEC from these areas will affect the market for U.S. tobacco.)

The EEC countries had been in the process of increasing tobacco production in 1959, when the blue-mold disease hit Europe in 1960 and 1961. As a result, total leaf production in the EEC dropped to less than half normal production. Imports by EEC in 1961 and 1962 were higher than normal because of these crop shortages coupled with increased usings. Trade figures for 1963 are not yet available. It is expected that imports by the EEC will increase in 1964 (perhaps at a lesser rate).

To date, the EEC has not established a common agricultural policy (CAP) covering production, marketing systems, pricing, manufacturing of tobacco, nor sale of manufactured tobacco products within the area. The excise tax systems of the Six, as applied to tobacco products, vary widely and tend to deter U.S. exports. The adoption of a CAP for tobacco, or any changes in the taxing policy of the EEC, will probably have a direct impact on U.S. exports of tobacco and tobacco products.

U.S. exports also face competition from increased production of tobacco in other countries. In world markets, U.S. tobaccos are facing competition from tobaccos from some countries new in the tobacco exporting business; some have previously exported little or no flue-cured tobacco or burley type. The expansion in burley type tobacco has been particularly sharp in Rhodesia, Japan, Mexico, and Greece. Some of the increased output is destined for export.

There have been sharp increases in U.S. imports of cigar tobaccos from countries previously shipping little or no tobacco to the United States. Imports for consumption of Colombian scrap and filler tobaccos totaled 4.8 million

pounds in fiscal 1963 compared with no imports at all during the 1955-59 period. Tobacco imports from the Dominican Republic, which averaged only 35,000 pounds annually in 1955-59, reached 4.5 million in fiscal 1963. Increases in cigar-filler tobacco came from Mexico, Brazil, and some other Latin American countries. The Philippines increased their exports to the United States, to become Number One supplier of cigar tobaccos to the United States.

The general trend of import duties on tobacco in many world countries has been upward; however, other barriers (nontariff) perhaps cause more concern. The list of the nontariff barriers include; license and exchange requirements, bilateral agreements, government tobacco monopolies, mixing regulations, export subsidies, exchange bonuses. Tobacco exporters frequently complain that one or more of these barriers have adversely affected their sales in foreign countries.

It is difficult to make a judgment as to what can be accomplished by the United States in getting these barriers lowered under the Trade Expansion Act. These negotiations will probably not be completed in time to have much effect on 1964 exports.

STATISTICAL APPENDIX

Table 1.--CIGARETTES: World output by major producing areas, average 1951-55, annual 1957-62

Year	United States	Soviet Union and Mainland China	Western Europe	Others	Total
	<u>Billion pieces</u>	<u>Billion pieces</u>	<u>Billion pieces</u>	<u>Billion pieces</u>	<u>Billion pieces</u>
Average: 1951-55.....	418	334	321	543	1,616
Annual:					
1957.....	442	438	379	684	1,943
1958.....	470	469	394	714	2,047
1959.....	490	513	398	734	2,135
1960.....	507	545	421	760	2,233
1961 ¹	528	546	444	814	2,332
1962 ¹	535	545	460	848	2,388

¹ Preliminary; subject to revision.

Table 2.--UNMANUFACTURED TOBACCO: Free World exports by major suppliers, annual 1955-62
(Export weight)

Year	United States	Greece and Turkey	Rhodesias and Nyasaland	India and Canada	Latin America	Others	Total
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
1955.....	540	253	124	147	157	170	1,391
1956.....	510	241	165	123	168	205	1,412
1957.....	501	347	139	117	175	207	1,486
1958.....	482	261	143	136	174	253	1,449
1959.....	466	268	176	124	176	194	1,404
1960.....	496	262	192	127	199	245	1,521
1961.....	501	340	210	144	242	244	1,681
1962 ¹	469	302	216	192	254	253	1,686

¹ Preliminary; subject to revision.

Table 3.--UNMANUFACTURED TOBACCO: United States exports by major destinations, fiscal years, averages 1950-54 and 1955-59, annual 1960-63
(Declared weight)

Year ending June 30	United Kingdom	West Germany ¹	Other Western Europe	Far Pacific	Others	Total
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
Average:						
1950-54.....	152.0	69.2	140.7	79.1	35.5	476.5
1955-59.....	164.1	65.7	140.6	89.9	36.8	497.1
Annual:						
1960.....	140.1	67.9	130.9	68.0	49.7	456.6
1961.....	167.3	67.1	154.0	69.8	46.0	504.2
1962 ²	150.7	83.7	157.0	84.2	44.4	520.0
1963 ²	109.1	76.2	164.6	75.1	49.0	474.0

¹ Includes both West and East Germany, but shipments to East Germany were minor.

² Preliminary; subject to revision.

Table 4.--TOBACCO: Estimated factory use in Western Europe¹, by origin, average 1950-54, annual 1956-62

Year	Total	Domestic leaf	Imported leaf			U.S. share	
			Total	United States	Other foreign	Total	Imported
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
Average: 1950-54....	1,054	286	768	345	423	32.7	44.9
Annual:							
1956.....	1,162	301	861	358	503	30.8	41.6
1957.....	1,183	311	872	357	515	30.2	40.9
1958.....	1,212	312	900	360	540	29.7	40.0
1959.....	1,219	304	915	356	559	29.2	38.9
1960.....	1,254	309	945	359	586	28.6	38.0
1961.....	1,288	304	984	363	621	28.2	36.9
1962 ²	1,318	283	1,035	365	670	27.7	35.3

¹ Excludes Greece and Yugoslavia.

² Preliminary; subject to revision.

Table 5.--UNMANUFACTURED TOBACCO: Imports into the six original Common Market countries, by major suppliers, average 1955-59, annual 1960-62

Year	United States	Greece and Turkey	Latin America	Other Common Market and Assoc. Terr.	India, Canada, Rhodesia	Others	Total
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Average: 1955-59...	119	90	53	41	27	57	387
Annual:							
1960.....	126	77	50	43	52	91	439
1961.....	125	81	62	58	51	97	474
1962 ¹	148	121	75	66	62	130	602

¹ Preliminary; subject to revision.

Table 6.--FLUE-CURED TOBACCO: Estimated Free World exports by major producers, averages 1950-54 and 1955-59, annual 1960-62

Year	United States	Rhodesias-Nyasaland	India	Canada	Others ¹	Total
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Average:						
1950-54.....	391	91	56	29	23	590
1955-59.....	413	125	77	35	33	683
Annual:						
1960.....	409	165	65	36	30	705
1961.....	403	183	69	37	35	727
1962 ²	375	190	121	47	43	776

¹ Includes estimates for Italy, Brazil, Japan, Thailand, and several other minor exporters.

² Preliminary; subject to revision.

Table 7.--FLUE-CURED TOBACCO: Estimated Free World production by major producers, averages 1950-54 and 1955-59, annual 1960-63

Year	United States	Rhodesias-Nyasaland	India	Canada	Others	Total
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
Average:						
1950-54.....	1,332	117	102	138	349	2,038
1955-59.....	1,209	162	128	150	604	2,253
Annual:						
1960.....	1,251	222	157	206	662	2,498
1961 ¹	1,258	237	155	195	724	2,569
1962 ¹	1,408	234	170	188	705	2,705
1963 ¹	1,360	199	177	188	730	2,654

¹ Preliminary; subject to revision.

Table 8.--FLUE-CURED TOBACCO: Average export prices, by major exporters, averages 1950-54 and 1955-59, annual 1960-62

Year	United States	Canada	Rhodesias-Nyasaland	India
	<u>U.S. cents per pound</u>	<u>U.S. cents per pound</u>	<u>U.S. cents per pound</u>	<u>U.S. cents per pound</u>
Average:				
1950-54.....	63.4	55.6	58.1	¹ 31.9
1955-59.....	71.1	61.3	57.6	32.2
Annual:				
1960.....	77.2	71.1	57.1	36.6
1961.....	79.4	72.9	59.2	32.0
1962 ²	80.8	67.1	54.8	30.6

¹ Less than a 5-year average.

² Preliminary; subject to revision.

Table 9.--BURLEY TOBACCO: Estimated Free World exports, by major producers, averages 1950-54 and 1955-59, annual 1960-62

Year	United States	Italy	Japan	Canada	Rhodesias-Nyasaland	Others	Total
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
Average:							
1950-54.....	29	¹ 6	(²)	1	(²)	2	38
1955-59.....	28	9	4	1	2	3	47
Annual:							
1960.....	34	12	7	2	2	4	61
1961 ³	37	11	9	1	3	6	67
1962 ³	40	9	8	1	4	8	70

¹ Less than a 5-year average.

² Not available.

³ Preliminary; subject to revision.

Table 10.--BURLEY TOBACCO: Estimated Free World production, major producers, averages 1950-54 and 1955-59, annual 1960-63

Year	United States	Spain	Italy	Japan	Rhodesias-Nyasaland	Others	Total
	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>	<u>Million pounds</u>
Average:							
1950-54.....	600	16	15	4	2	37	674
1955-59.....	486	25	24	9	3	50	597
Annual:							
1960.....	485	39	35	13	4	41	617
1961 ¹	580	46	4	11	5	50	696
1962 ¹	675	40	18	16	6	59	814
1963 ¹	710	39	29	23	9	75	885

¹ Preliminary; subject to revision.

Table 11.--BURLEY TOBACCO: Average export prices, by major exporters, averages 1950-54 and 1955-59, annual 1960-62

Year	United States	Canada	Italy	Rhodesias-Nyasaland	Japan
	<u>U.S. cents per pound</u>	<u>U.S. cents per pound</u>	<u>U.S. cents per pound</u>	<u>U.S. cents per pound</u>	<u>U.S. cents per pound</u>
Average:					
1950-54.....	49.0	¹ 43.2	¹ 32.1	(²)	(²) ₁ 30.1
1955-59.....	61.2	47.1	38.4	45.3	
Annual:					
1960.....	82.4	56.0	45.5	56.0	31.0
1961.....	82.2	58.6	44.6	49.7	34.7
1962 ³	87.4	60.1	43.6	57.7	39.2

¹ Less than a 5-year average.

² Not available.

³ Preliminary; subject to revision.

Table 12.--UNMANUFACTURED TOBACCO: Trends in exports of major Free World producers since 1950-54 (1950-54 = 100)

Year	Flue-Cured				All kinds		
	United States	Rhodesian Federation	Canada	India	United States	Greece	Turkey
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Average:							
1950-54.....	100	100	100	100	100	100	100
1955-59.....	106	133	122	139	106	145	110
Annual:							
1960.....	105	176	124	116	105	153	96
1961.....	103	195	128	123	106	165	147
1962.....	96	202	162	216	99	119	150

RECENT PUBLICATIONS

U.S. Tobacco Exports Drop in 1962. FT 3-63, March 1963. A 14-page summary of statistical data on U.S. tobacco exports for 1961 and 1962.

Canadian Tobacco Production and Trade. FAS-M-145, May 1963. An 11-page summary of developments in tobacco production and trade of Canada.

Non-Tariff Barriers to the Movement of Tobacco in Free World Countries. FAS-M-146, May 1963. A 28-page summary covering principal non-tariff barriers on tobacco imposed by individual countries.

Price Limits Use of U.S. Tobacco in Portugal. FT 12-63, July 1963. A 7-page summary of developments in the Portuguese tobacco industry.

Demand for U.S. Tobaccos Uncertain in Spain. FT 13-63, July 1963. An 11-page summary of developments in the Spanish tobacco industry.

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Iraq: A New Market For U.S. Tobacco. FT 17-63, October 1963. A 7-page summary of the Iraqi tobacco industry.

Tobacco: Recent Developments Affecting U.S.-Soviet Bloc Trade. FT 19-63, November 1963. A 4-page summary of procedures developed by U.S. Department of Commerce for making tobacco exports to Soviet Bloc.

World Tobacco Production. FT 21-63, December 1963. A 15-page review of world tobacco production by producing countries, and kinds of tobacco for 1963, with comparisons.

(These publications are available upon request to the Information Division, Foreign Agricultural Service.)

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